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Starting a Small Business



Alberta

ECONOMIC DEVELOPMENT
AND TRADE
Small Business Division

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Starting a Small Business

The purpose of this handbook is to provide a concise description of how to establish a business in Alberta. Although the information contained in the handbook is specifically oriented to the small businessman, it applies equally to larger concerns. Each topic is given brief treatment since the intention is to encourage new businessmen to directly contact the agencies involved to obtain more detailed and expert advice.

"Starting a Small Business" is one of a series of booklets published by Alberta Economic Development and Trade, Small Business Division. Other booklets that may be useful are:

- Financing a Small Business
- Marketing for a Small Business
- Operating a Small Retail Business
- Operating a Small Manufacturing Business
- Operating a Small Service Business
- Selecting a Small Business Computer System
- Bookkeeping for a Small Business
- Operating a Small Construction Business
- Small Business Tips

These publications are available at all Economic Development and Trade offices listed in the back of this publication.

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ECONOMIC DEVELOPMENT AND TRADE
SMALL BUSINESS DIVISION

Minister's Letter

Alberta

ECONOMIC DEVELOPMENT
AND TRADE



Office of the Minister

407 Legislature Building, Edmonton, Alberta, Canada T5K 2B6 403/427-2134

"Starting A Small Business" is the first in our series of small business guides which have received wide public acceptance since 1978. Over 700,000 copies of all the guides have been distributed to potential and developing entrepreneurs and others interested in the enhancement of small business.

The small business sector has gained considerable recognition for its contribution to Alberta's economy. New statistical data has confirmed that the small business sector has become an "engine of growth", driven by enterprising individuals. People who have confidence in both themselves and the opportunities to be found in Alberta.

The merger of the Small Business Division within the Department of Economic Development and Trade will enable the Department to provide a full program of assistance to small business throughout Alberta.

The small business guides, plus other Departmental publications, will provide valuable information for making better business decisions. I invite your comments and suggestions toward developing a better Alberta business community.

Yours truly,

Larry R. Shaben
Minister
Economic Development and Trade

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Introduction

Going into business for oneself is often a tough decision, but once you have made the decision, it is probably easier than you think.

Firstly, it is a good idea to develop a business plan. The better prepared you are to properly assess the potential risks involved, the more likely you are to overcome problems when they occur. In other words, attempt to establish the business on a sound base from the beginning.

THE BUSINESS PLAN

Whether you are considering starting a new enterprise, buying a business or franchise, or expanding your business, a plan is essential in today's intensely competitive and rapidly changing society.

There are basically three reasons for investing the time and effort to prepare a sound business plan:

- It is the only way to evaluate the risks and potential success of a business idea, before investing your savings. A plan is a means of discovering potential obstacles and the right moves to possibly avoid them. You will gain insight into those factors which you have relative control, such as inventory and staff, versus those which cannot be altered, the economy, market trends, etc.
- The business plan is a necessary supporting document for your presentation to bankers or investors. It is evidence of your ability to manage and your understanding of: start-up needs, operating expenses, financing needs, market size and growth trends, competitive strengths and weaknesses.
- After starting your business, a business plan can be used as a management control tool to remain competitive and viable. Good planning habits will help you to stay informed about changes in business conditions, your expected performance, and the overall effects resulting from different decisions. Month-to-month monitoring allows you to take corrective action quickly, before your budget goes astray.

So what is a business plan? It is a written report prepared by the owner(s) or potential owner(s) that describes, through research, the market environment, competitive strengths and your strategy to capture a feasible share of the target market. In addition, the plan projects the sources and uses of funds to start, expand and operate the venture. In short, you detail your business objectives and how those objectives will be achieved within a financial budget.

Almost all business plans have the following general framework:

MARKETING PLAN

- market size/trends
- targeted customers (your best prospects)
- competitive strengths/weaknesses
- sales strategy

OPERATING PLAN

- location requirements
- plant and equipment requirements
- management/staffing
- administrative/production processes

FINANCIAL PLAN

- current financial statements (if applicable)
- start-up, expansion requirements/expected sources of funds
- cashflow forecast
- profit (loss) forecast/breakeven

Additional detail on the business plan is provided in the 'Financial Planning' section of "Financing a Small Business". Market planning information is available in the 'Developing Your Own Marketing Plan' section of "Marketing for a Small Business". The Department of Economic Development and Trade has business analysts located throughout Alberta to assist you in developing your own business plan. Please see the back of this publication for office locations.

Chapter One

Services to Business, Department of Economic Development and Trade

The Alberta Department of Economic Development and Trade functions as an agent of the business sector. Its goals are to support and encourage the business community by stimulating new business establishments as well as the expansion of existing ones. The department has a number of divisions offering services to business at no charge.

SMALL BUSINESS DIVISION

SMALL BUSINESS ASSISTANCE

- Provides counselling assistance to small businesses engaged in the manufacturing, retailing and service sectors; administers management assistance programs throughout Alberta; researches methods and generally promotes the interests of Alberta small businesses.

REGIONAL BUSINESS DEVELOPMENT

- Has offices throughout Alberta staffed by representatives experienced with business problems and knowledgeable about government services available to businesses and communities; promotes economic growth in all regions of the province; identifies site locations for new or expanding businesses.

INDUSTRY DEVELOPMENT DIVISION

INDUSTRY DEVELOPMENT

- Identifies business opportunities and provides specialized counselling for the electrical/electronics, plastics, metal fabricating, machinery, farm equipment and transportation equipment manufacturing, food processing and forest products; assists in arranging joint ventures and manufacturing licenses; manages the Alberta/Canadian content policy in major resource construction projects and the Product Design Program. Assists firms to sell goods and services to Alberta Government.

TRADE DEVELOPMENT DIVISION

TRADE DEVELOPMENT

- Assists Alberta's private business sector to enter into the export market by exposing them to market opportunities abroad; encourages Alberta's manufacturers and processors to enter into trade fairs and shows; initiates small trade shows; introduces foreign buyers to Alberta's industry.

TRANSPORTATION SERVICES DIVISION

TRANSPORTATION SERVICES

- Provides economic, operating and other advice on physical distribution situations by all modes of transport, both domestic and international. It also provides technical assistance in the area of passenger transportation and industry, both for daily worker transport and business travel.

STRATEGIC PLANNING DIVISION

STRATEGIC PLANNING

- Prepares economic and market studies for the public and private sectors; assists in recommending policies and programs for the Department of Economic Development and Trade; prepares general business information to assist the business community.

FINANCE AND ADMINISTRATION DIVISION

FINANCE

- Provides a consultation service on financial problems for large and special projects.

ALBERTA OPPORTUNITY COMPANY

- The Alberta Opportunity Company is a Crown corporation reporting to the Legislature through the Minister of Economic Development and Trade. It promotes the development of Alberta's resources and the general growth and diversification of the Alberta economy, and provides loans or guarantees.
- The Alberta Opportunity Company has offices in Ponoka, Calgary, Edson, Edmonton, Grande Prairie, St. Paul, Lethbridge, Medicine Hat, Vermilion, Brooks, Red Deer and Peace River.

SMALL BUSINESS EQUITY CORPORATIONS

- The Small Business Equity Corporation Program is designed to stimulate equity investment in Alberta small business. Alberta investors set up and administer their own investment corporations for the sole purpose of acquiring minority interests in Alberta small businesses.

SMALL BUSINESS TERM ASSISTANCE PLAN

- The Small Business Term Assistance Plan provides access to fixed term, fixed rate financing to qualifying small businesses throughout the province. The province of Alberta will share the risk of loans made under the program by providing guarantee agreements with lenders.

Chapter Two

Type of Business Formations

The type of business organization chosen can be important to the functioning of the business operation. There are four types of business organizations:

- Sole Proprietorships
- Partnerships
- Limited Companies
- Co-operatives

SOLE PROPRIETORSHIPS

The proprietorship is the simplest form of business organization. The proprietor assumes all responsibilities for the business including financing, operation, taxes, and accepts all profits or losses. If the business fails, the owner must assume total liability. This means all assets, whether business or personal, can be legally taken and used to discharge the liability.

An individual who operates a business under a name other than strictly his own name, must register the business name with Central Registry, Attorney General's Department, in compliance with The Partnerships Act.

PARTNERSHIPS

GENERAL PARTNERSHIP

A partnership is a slightly more complex method of starting a business. A commercial partnership exists when two or more people engage in a business venture. The members are jointly and severally liable for the debts of the partnership. This means that one partner can be held responsible for all debts and obligations incurred in the name of the business by another partner. He can also be held responsible for any wrongful act or omission by other partners acting in the ordinary course of the firm's business. All partnerships must be registered.

When entering into a partnership, it is advisable to have an agreement drawn up between the partners and executed before a Commissioner for Oaths which contains the following:

- Objectives of the partnership
- Date of business commencement
- Amount of investment to be contributed by each partner
- How profit and losses are to be shared
- Duties and participation of the partners
- Provisions in the event of death (often partners purchase insurance on each other's lives so that the surviving partner can purchase the firm from the deceased's estate)
- Duration of the agreement
- Special conditions
- Dissolution of the partnership

LIMITED PARTNERSHIP

This is a special arrangement whereby a person may contribute financially but cannot be engaged in conducting the affairs of the partnership. A limited partner is normally only liable to the firm or its creditors to the extent of the capital he has agreed to contribute toward the partnership. To remain a limited partner, a person must take no part in the management of the firm or act on behalf of the company, or he becomes a general partner. The declaration for a limited partner must be filed with the Central Registry.

ADVANTAGES OF PROPRIETORSHIPS AND PARTNERSHIPS

- Organization is flexible and informal
- Easy to start
- No incorporation fee; registration charge is \$15.00 for proprietorships and partnerships; \$100.00 for limited partnerships
- Ease of keeping accounts; all profits are the property of the owners and are taxed at personal rates; business losses can be deducted from personal income for income tax purposes

DISADVANTAGES OF PROPRIETORSHIPS AND PARTNERSHIPS

- Except for limited partners, single proprietors and partners in a business agreement can be held personally liable for all debts and judgments against the business
- In a partnership, each partner can be held personally responsible for obligations placed on the business by other partners
- Risk agreement amongst partners
- Profits are personally taxable
- The company ends with the death of a partner or of the proprietor

NOTE: It is necessary to register the name of a new business if it is not incorporated. The prime objectives of this registration are to protect the names of established businesses from infringement by new enterprises, and to make the ownership known to the public if it is not apparent from the name. All members of a partnership and every other person required to file a Declaration under The Partnership Act and who fail to comply with the Act respecting filing are guilty of an offence and are liable upon summary conviction to a fine.

Partnerships, proprietorships, trade names and agreements for limited partners may be registered at:

Central Registry

Department of the Attorney General:

5th Floor

J. E. Brownlee Building

10365 - 97 Street

Edmonton, Alberta T5J 3W7

Phone 427-5104

3rd Floor

J. J. Bowlen Building

620 - 7th Avenue S.W.

Calgary, Alberta T2P 2R4

Phone 297-6257

LIMITED COMPANIES

The terms “Corporation,” “incorporated company,” “limited company,” are synonymous.

Since becoming incorporated can be a relatively complicated procedure, it is advisable to seek legal counsel. However, it is possible to do the incorporation by yourself. Contact Corporate Registry of Alberta Consumer and Corporate Affairs, for further information.

ADVANTAGES OF INCORPORATING

- Limited liability — the limited company forms a distinct legal entity apart from the owners (shareholders). Therefore, no member of the company can be held personally liable for the debts, obligations or acts of the company. A shareholder is only liable for the unpaid portion of shares owned.
- The life of the limited company does not end with the death of a shareholder
- Ownership of a limited company can be easily transferred by the selling of shares, without upsetting the management of the business
- There are certain tax advantages with incorporation
- A limited company may find it easier to raise capital; investors can purchase stock without becoming personally liable for the business operations

The major disadvantages of establishing a limited company are the costs involved in incorporating and the additional records required to be kept.

A company may be incorporated either as a distributing or as a non-distributing corporation. To become a distributing corporation, a prospectus must be filed with the Alberta Securities Commission. A distribution corporation must employ outside auditors and publish yearly financial statements. The major advantage of a distribution corporation is that it can raise capital by selling shares to the public.

A non-distributing corporation can have as many or as few shareholders as it likes. If there are 16 or more shareholders in a non-distributing corporation, there are additional requirements to adhere to. A non-distributing corporation cannot issue an invitation to the public to purchase its shares or debentures. Incorporating as a non-distributing corporation is a much easier process than incorporating as a distributing corporation.

Companies may be incorporated either federally under the Canada Corporations Act or provincially under the Business Corporations Act. While the incorporation procedures are very similar, there are slight differences which should be taken into consideration. A company incorporated federally may have to register in each province in which it does business. A company incorporated in Alberta can operate within the province but would have to register as an extra-provincial company if it wished to expand into other provinces.

EXTRA-PROVINCIAL COMPANIES

If the company is incorporated elsewhere within Canada or is a foreign company, to do business in Alberta it is necessary to register with Corporate Registry, Alberta Consumer and Corporate Affairs as an extra-provincial company.

OBLIGATORY REPORTS

The Business Corporations Act requires that an annual report must be filed with Corporate Registry each year within one month of the anniversary date of incorporation. Every extra-provincial company must file an annual report containing information on its operation within one month of the anniversary date of registration in the province. The form and content of these reports are outlined in the Business Corporation Act Regulations.

To incorporate in Alberta you must first have an incorporated name approved. The following documents must be filed:

- Form 1: Articles of Incorporation
- Form 3: Notice of Address
- Form 6: Notice of Directors

An Alberta Search Report and fees must be submitted with the above documents. As Alberta Corporate Registry does not examine proposed corporate names, it is the responsibility of the applicant to determine the availability of a corporate name. A system of Alberta Search Houses has been established to assist in name searches. A list of houses may be obtained from Corporate Registry offices.

For further information about incorporating contact:

Corporate Registry	
Alberta Consumer and Corporate Affairs:	
8th Floor,	
John E. Brownlee Bldg.	902 J. J. Bowlen Building
10365 - 97 Street	620 - 7th Avenue S.W.
Edmonton, Alberta T5J 3W7	Calgary, Alberta T2P 0Y8
Phone 427-2311	Phone 297-3442

CO-OPERATIVES

A co-operative is a special form of business organization, different from an ordinary corporation, but is still able to enter into contracts under its own corporate name. Liability for the individual members of a co-operative is limited to the extent of the value of shares held.

Each member of a co-operative only has one vote, no matter how many shares he possesses. Dividends are paid according to patronage and not by the number of shares held.

Co-operatives must be incorporated and contain the word "co-operative" in their name. It is an offence to carry on business under the name of a co-operative if not in compliance with the regulations put forward in the Co-operative Associations Act. Applications for co-operatives are approved by the Co-operative Program and then forwarded to the Corporate Registry for incorporation. Contact:

Co-Operative Development Branch	
Alberta Consumer and Corporate Affairs:	
22nd Floor	301, Centre 70
10025 Jasper Avenue	7015 Mcleod Trail S.
Edmonton, Alberta T5J 3Z3	P.O. Box 5880, Station A
Phone 427-8507	Calgary, Alberta T2H 2M9
	Phone 297-5700

FOREIGN COMPANIES

To locate in Alberta, a foreign company simply makes application for registration as an extra-provincial company with Corporate Registry. A copy of the Supplementary Letters Patent from the jurisdiction where the company had originally incorporated must be included in the application.

If the company does not have an office in Alberta, it is necessary that the company file a notice of appointment of an attorney for service to represent the company. It is expected that a foreign company comply with Alberta laws, licenses and taxes.

A foreign company investing in Canada also has to comply with the Foreign Investment Review Act. By this act, the federal government reviews potential investment in Canada to determine if the investment will offer significant benefit to Canada. This act does not apply to all foreign investments but it is best to contact the nearest office of the federal Department of Regional Industrial Expansion (DRIE) to avoid any problems or:

Alberta Economic Development and Trade:

10th Floor, Sterling Place

9940 - 106 Street

Edmonton, Alberta T5K 2P6

Phone 427-2005

402 Burns Building

257- 8th Avenue S.E.

Calgary, Alberta T2G 0K9

Phone 297-2750

TRADE NAMES AND TRADEMARKS

A trade name is the name under which any business is carried on, whether it be the name of a corporation, a partnership or a proprietorship. As indicated earlier, sole proprietorships and partnerships register their names at Central Registry; limited companies register their names with the Corporate Registry.

In some instances, limited companies wish to operate under a name which differs from the official Corporate Registry. This can be accomplished by filing a trade name with Central Registry. For example, XYZ Company Ltd. certifies carrying on a trade and business as Bill's Buffalo Burgers.

A trademark differs from a trade name in that it distinguishes the goods or services marketed from those of others in the market place. A trademark can be a word, symbol, picture or any combination of these. A good example is the "Golden Arches" of a famous hamburger chain. Registration gives the owner exclusive use of the mark throughout Canada.

Chapter Three

Licenses and Permits

In some instances, the regulations regarding licenses and permits can be complex. Business licenses serve to protect the public and established businesses from unfair trade practices, provide information for tax assessment, assist with labor and health regulation enforcement, and promote orderly economic growth in Alberta's municipalities. For some businesses, more than one license is required as there could be two levels of government regulating different aspects of the business.

MUNICIPAL LICENSES

Each local government has the authority to issue its own business licenses within its jurisdiction. Since there is no uniformity throughout the province regarding municipal licenses for business, it would be wise to consult with the appropriate local officials to determine if your business is affected by local regulations, licenses or zoning requirements. It is wise to obtain zoning and licensing approval for your business before signing a lease agreement.

Outside of all cities and towns, business development must conform with zoning requirements. These requirements are administered by either the local county concerned, the municipal district, a regional planning commission or the Provincial Planning Board land use regulations. Approval from one of these bodies is necessary to construct a commercial building in the rural areas. For further information, contact:

The Alberta Planning Board,
Department of Municipal Affairs
9th Floor, Jarvis Building
9925 - 107 Street
Edmonton T5K 2H9
Phone 427-4864.

In Calgary and Edmonton, all businesses are required to conform to city zoning or land use regulations. Generally speaking, where city business licenses are required, they are intended to control businesses which pose special problems to health, fire safety, disturbance to the physical and social environment and so on. If the business is one for which a license is necessary, zoning clearance must be obtained before the license can be issued.

For further information regarding municipal business regulations, contact the secretary-treasurer of the city, town, village or rural municipality where the business will be located.

For zoning approval in Edmonton or Calgary, contact:

City of Edmonton	City of Calgary
Planning & Building Dept.	Planning & Building Dept.
Development Control Section	4th Floor,
2nd floor, Revillon Bldg.	800 Macleod Trail S.E.
10320 - 102 Avenue	T2G 2M6
T5J 2X6	Phone 268-5311
Phone 428-5881	

For business licenses in Edmonton or Calgary, contact:

City of Edmonton	City of Calgary
License Section	License Division
Finance Department	3rd Floor
Main Floor	Administration Bldg.
City Hall	323 - 7th Avenue S.E.
1 Sir Winston Churchill Sq.	T2P 2M5
T5J 2R7	Box 2100, Station 'M'
Phone 428-5302	Phone 268-5521

PROVINCIAL LICENSES

Alberta Consumer and Corporate Affairs issues some provincial licenses. All businessmen are advised to check for license requirements. Contact:

CONSUMER AND CORPORATE AFFAIRS

CALGARY	301 Centre 70 7015 Macleod Trail South Box 5880, P.O. Station 'A' T2H 2M9 Phone 297-5700
EDMONTON	3rd Floor, Capilano Centre 9945 - 50 Street T6A 0L4 Phone 427-5782
FORT McMURRAY	5th Floor, West Tower 9915 Franklin Avenue T9H 2K4 Phone 743-7231
LETHBRIDGE	Rm. 300, Professional Bldg. 740 - 4 Avenue South Bag Service 3014 T1J 4C7 Phone 329-5360
PEACE RIVER	Bag 900, Box 9 9621 - 96 Avenue Provincial Building T0H 2X0 Phone 624-6214

RED DEER

2nd Floor, Provincial Building
4920 - 51 Street
T4N 5Y5
Phone 340-5241

SPECIAL BUSINESS LICENSES

There is legislation requiring the following businesses to obtain special licenses. Addresses and telephone numbers for the licensing authorities of these businesses are found in the Appendix.

ALBERTA AGRICULTURE — most businesses dealing directly with agriculture require licenses (see Appendix for addresses)

HIGHWAY DEVELOPMENT — Land use along provincial highways is strictly controlled. A permit from the Roadside Development Branch, Alberta Transportation, is required for commercial development within one-half mile of a highway outside of villages, towns or cities.

SAWMILLS, TIMBER CUTTING OPERATIONS — License to operate from the Timber Management Branch, Alberta Energy and Natural Resources and a sawmill operating license from the Alberta Department of Consumer and Corporate Affairs.

NURSING HOMES — Licensed by the Hospital Services Commission.

MINES, OIL AND GAS DRILLING, PIPELINE CONSTRUCTION PERMITS — Granted by the Energy Resources Conservation Board.

PRIVATE INVESTIGATORS, SECURITY AGENCIES, LOCKSMITHS AND GUARDS — Licensed by the Law Enforcement Branch, Department of the Solicitor General.

PUBLIC LANDS AND WILDLIFE — Fish and Wildlife Division, issues licenses for guides and outfitters, dog trainers, taxidermists, tanners, furriers and fur buyers, traplines, commercial fishing, fish marketing, and game or bird farms.

CEMETERIES — Alberta Consumer & Corporate Affairs.

LIQUOR LICENSES — Before renting or building facilities to serve liquor, contact the Liquor Control Board for information as there are rigid requirements in regard to design and operation. The Liquor Control Board licenses all motels, hotels and restaurants where liquor is served.

COMMERCIAL TRUCKING AND BUS OPERATIONS — Apply for operating authority to the Alberta Motor Transport Board.

EMPLOYMENT AGENCIES — Agencies involved in placement or helping people to seek employment must be licensed by the Department of Manpower.

INSURANCE AND REAL ESTATE — Agencies and salespeople are licensed by the Insurance or the Real Estate Branch of Consumer and Corporate Affairs. Offices are maintained in Calgary, Red Deer, Lethbridge, Peace River, Edmonton and Fort McMurray.

HOMES FOR SPECIAL CARE, DAY CARE CENTRES, FOSTER HOMES — Contact Edmonton Regional Licensing Unit, Social Services & Community Health.

PRIVATE SCHOOLS — All training schools operated for profit must be licensed by Alberta Advanced Education.

TRADESMEN — by the Manpower Development Act of 1976, certain types of tradesmen have regulations governing their apprenticeship but trade certification is not mandatory in order to practice their craft. The tradespeople listed below require a journeyman's certificate or must be in an indentured apprenticeship program to work at their vocation.

Auto Body Mechanic	Plumber
Barber	Radio Technician
Beautician	Refrigeration Mechanic
Electrician	Sheet Metal Mechanic
Elevator Constructor	Steamfitter
Gasfitter	Welder
Heavy Duty Mechanic	Motor Mechanic

The above listing is not complete. If you have have any questions which may pertain to trades, please contact:

Alberta Manpower
Apprenticeship Branch & Trade Certification:

EDMONTON
10926 - 119 Street
T5H 3P5
Phone 427-3722

CALGARY
4th Floor
1015 Centre St. N.W.
T2E 2P8
Phone 297-6457

ENVIRONMENT

Any industry emitting waste materials into water or the atmosphere requires permits to construct and licenses to operate under The Clean Air Act and The Clean Water Act. Also, any industry withdrawing water from any natural source requires a license. Contact:

Alberta Environment
Standards and Approval Division
4th Floor, Oxbridge Place
9820 - 106th Street
Edmonton, Alberta T5K 2J6
Phone 427-5883

GENERAL SAFETY

The role of the General Safety Services Division of Alberta Labour is to reduce the loss of life and property through the activities of its six branches:

Boilers and Pressure Vessels	Elevator and Fixed Conveyances
Building Standards	Fire Protection
Electrical Protection	Plumbing and Gas Safety Services

A number of permits and licenses are issued for services and products which could affect the safety of Albertans. For further information, contact:

Alberta Labour	
General Safety Services Division:	
#805, 10808 - 99 Avenue	2nd Floor
Edmonton, Alberta T5K 0G2	1212 - 31 Avenue N.E.
Phone 427-3680	Calgary, Alberta T2E 7S8
	Phone 297-5753

FEDERAL LICENSES

The federal government has wide licensing powers within the fields of agriculture, manufacturing, communication and interprovincial and international transportation. The following list contains some of the more pertinent federal licensing requirements relating to Alberta business:

- The federal Department of Agriculture controls the manufacture of fertilizers and pesticides and issues permits for the import and export of agricultural products.
- Certain materials and equipment are classified as being strategic and a permit is required from the Department of Regional Industrial Expansion for export. Exports to certain countries also require permits.
- The Civil Aviation Branch of Transport Canada controls the licensing of all pilots and aircraft.
- Broadcasting stations, ham radios, two-way radios and citizen band radios require broadcasting licenses from Communications Canada.
- Fish processing companies and companies or individuals operating fishing vessels may obtain information on licensing from the Department of Fisheries and Environment, Fish & Marine Service.

Information as to which federal department deals with specific licenses can be obtained at the federal Business Information Centre. In Alberta they can be reached at:

Federal Business Development Bank
% Business Information Centre
606 Principal Plaza
10303 Jasper Avenue
Edmonton, Alberta T5J 3N6
Phone 420-2952

Chapter Four

Employers' Responsibilities

An employer has responsibilities directly towards employees and towards the government in respect of employees.

Under federal law, it is required that all employers collect Unemployment Insurance premiums, Canada Pension Plan contributions and personal income tax on behalf of the government. Remittances for Unemployment Insurance and the Canada Pension Plan are shared by the employee and the employer. Revenue Canada — Taxation provides guides free of charge which give easy-to-follow instructions on the amounts to be deducted. New employers are encouraged to obtain this information package.

UNEMPLOYMENT INSURANCE, CANADA PENSION PLAN AND EMPLOYEES' INCOME WAGE DEDUCTIONS

Usually these three types of wage deductions are deducted together and remitted as a lump sum payment to Revenue Canada — Taxation. Deductions must be remitted by the fifteenth day of the month following the month in which wages have been paid. Remittances can be made through any branch of a chartered bank or to the Taxation Data Centre, Winnipeg, Manitoba.

When in the position of hiring personnel, an employer must contact Revenue Canada to obtain an employer's account number and forms to be completed.

After the end of the calendar year, but before February 28, employers are required to give employees T4 Supplementaries showing total wages, income tax deductions and Canada Pension Plan and Unemployment Insurance deductions.

A T4 T4A Summary Return with copies of employee T4 and T4A Supplementaries must be filed with Revenue Canada — Taxation by February 28. Fines can be levied for failure to comply with this deadline.

Self-employed people are responsible for the entire annual contribution to the Canada Pension Plan. They must remit income tax and pension plan payments in quarterly installments giving their social insurance numbers. Sole proprietorships and partnerships do not contribute towards unemployment insurance for themselves. In a limited company, if you in combination with your spouse own less than 40% then you contribute towards unemployment insurance. If you own more than 40% together with your spouse you do not contribute. Contact:

Revenue Canada — Source Deductions:

EDMONTON
9820 - 107 Street
T5K 1E8
Phone 420-3510

CALGARY
220 - 4 Avenue S.E.
T2G 0L1
Phone 292-4101

The Unemployment Insurance Commission has offices in most major centres in Alberta. In Edmonton, they are located at 10704 - 102 Avenue, T5J 0G2, Phone 420-2207.

HEALTH CARE INSURANCE

The Health Insurance Premiums Act and Regulations states that all employers with five or more eligible employees, owners and partners included, are required to form an "employer group" for payroll deduction of medicare premiums. An employer with fewer than five eligible employees may form a "designated group" on a voluntary basis but once formed must abide by the regulations as they apply to an "employer group."

Once a group is in existence, it is the employer's responsibility to cover all eligible employees and make the necessary payroll deductions on a monthly basis. The rates are not reduced for group coverage. The employer is under no obligation to pay a portion of the premium unless he wishes to do so as an employee benefit.

For further information contact the Alberta Health Care Insurance Commission in Edmonton at 10025 Jasper Avenue, T5J 3Z3, phone 427-1400, or Calgary at 2nd Floor, McLaws Building, 407 - 8th Avenue S.W., T2P 1E5, Phone 297-6411.

WORKERS' COMPENSATION BOARD

Most industries in Alberta are covered by The Workers' Compensation Act. This Act provides for the compensation of workers who are injured in the course of their employment.

Employers in the industries covered by the Act are responsible for the payment of assessments to the Workers' Compensation Board. The assessment is based on the employer's payroll at a rate determined by the type of industry he is conducting in Alberta.

From these assessments, the board derives the necessary funds to administer the Act which includes the payment of compensation, medical aid, pension awards and rehabilitation on behalf of injured workers. Such assessments are payable by the employer and the Act prohibits the employer from requiring his employee to contribute to the assessment or to forego his right to compensation. In return, the employer is protected against legal action by his workers who are injured during and in the course of their employment. For industries included under the Act, all workers are legally entitled to compensation benefits whether or not their employer has established an account with the board. If an account has not been opened and an accident occurs, the employer may be held responsible for part of the claim cost.

To avoid possible penalties, it is important that the employer contact the Workers' Compensation Board to determine if his industry is included under the Act, and if so, that an account be opened within 10 days of the employment of workers.

For full information concerning the employer's responsibilities under The Workers' Compensation Act, contact:

The Workers' Compensation Board
9912 - 107 Street T5J 2S5
P. O. Box 2415
Edmonton — Phone 427-1100

or check with the nearest Worker's Compensation Board in:

Calgary — Phone 297-6471
Grande Prairie — Phone 538-5421
Lethbridge — Phone 381-5339
Medicine Hat — Phone 529-3624
Red Deer — Phone 340-5357

EMPLOYMENT STANDARDS BRANCH

The Employment Standards Branch of Alberta Labour is responsible for administering the employment standards provisions under The Employment Standards Act. Some of the more important sections include:

Minimum Wages

EFFECTIVE — MAY 1, 1981

- (a) Employees 18 years of age or older are entitled to at least \$3.80 per hour.
- (b) Under 18 years of age and not attending school — \$3.65 per hour *including school summer vacation.*

Where any period of employment is less than three consecutive hours, the employees shall be paid wages for three hours at a rate not less than the minimum wage to which they are entitled.

Students Under 18 Years of Age Attending School

EFFECTIVE — MAY 1, 1981 — \$3.30 PER HOUR

Where any period of employment is less than two consecutive hours, the employees shall be paid wages for two hours at a rate not less than the minimum wage to which they are entitled.

Hours of Work

The hours of work in any one day shall be confined within a period of 12 hours, including breaks as long as there is compensation for overtime if applicable.

Overtime

Overtime pay is payable on all hours worked in excess of eight in a day and/or 44 in a week, whichever is the greater number of hours.

Overtime shall be paid at a rate of not less than one and one-half times the regular wage paid to the employee, UNLESS: the employer and employee **agree in writing** that the employee be given time off with pay equal to the number of overtime hours worked.

Time off in place of overtime pay shall be provided and taken within three months of having been worked at a time that would normally be a time of work for the employee.

Days of Rest

Normally an employer will provide at least one day of rest in each week, but the Act allows a maximum of 24 days of work followed by four consecutive days of rest.

Vacations with Pay

Employees are entitled to a minimum of two weeks vacation with pay after 12 months employment:

- monthly paid employees receive vacations with pay based on their monthly salary.
- employees paid other than by the month are entitled to 4% of their regular wages for the 12 months of employment excluding overtime.

For a lesser period of employment than **12 months**, 4% of regular wages shall be paid on termination.

Vacation Pay in the Construction and Brush Clearing Industry

(except office and plant employees)

A construction or brush clearing employee shall be paid 4% of regular wages, payable:

- (a) on or before December 31, each year or
- (b) when the employee is given a vacation, the day before vacation commences, or
- (c) when employment is terminated whether by the employer or the employee, vacation pay is payable forthwith after the termination.

General Holiday Pay

There are eight days in the year specified by the Act to be General Holidays: New Year's Day, Good Friday, Victoria Day, Canada Day, Labour Day, Thanksgiving Day, Remembrance Day, and Christmas Day.

- (a) Where an employee has worked 30 days in the 12 months preceding the general holiday for an employer and the general holiday occurs on the employee's regular work day and the employee does not work, the employee shall be paid a regular day's wages.
- (b) If an employee is required or scheduled to work and is otherwise qualified for general holidays the employer shall pay one and one-half times the regular wage for each hour worked on that day, as well as the average daily wage for the general holiday. As an alternative to the payment of one and a half times the hours worked, the employee may be given a normal working day off with pay.
- (c) If a general holiday falls on a day that is not normally a working day for an employee, but the employee is required or scheduled to work, the employer shall pay one and one-half times the regular wage for each hour worked on that day.
- (d) If a general holiday to which an employee is entitled falls within the employee's annual vacation, the employee is entitled to another day off with pay on the first day the employee would have worked following the end of the vacation, or by agreement with the employer, on another working day before his next annual vacation.

**General Holiday
Pay in the
Construction and
Brush Clearing
Industry**
(except office and
plant employees)

Every employer shall pay to each employee a sum equal to 3.2% of regular wages either:

- (a) on or before December 31, or
- (b) when employment is terminated whether by the employer or the employee general holiday pay is payable forthwith after termination.

**Termination of
Employment**

The employer shall give the employee written notice of Termination of Employment of at least:

- (a) seven days, if the period of employment is greater than three months but less than two years,
- (b) 14 days if the period of employment is two years or more, or
- (c) pay in lieu of notice.

Employees in the construction industry working on the job site are exempt.

**Adolescents and
Young Persons**

ADOLESCENTS: between 12 years and 15 years of age may be employed in any of the following occupations:

- (1) delivery person of small wares for retail stores
- (2) clerk or messenger in an office
- (3) clerk in a retail store
- (4) delivery person of handbills or flyers

They are not allowed to be employed between 9:00 p.m. and the following 6:00 a.m.

YOUNG PERSONS: between 15 and 18 years of age:

Young persons employed between 9:00 p.m. and 12:00 midnight in business establishments such as service stations, grocery stores, food outlets, restaurants, motels, and hotels must be under the supervision of one or more adults, but cannot be employed in these businesses between 12:00 midnight and 6:00 a.m.

Young persons can be employed between 12:00 midnight and 6:00 a.m. in establishments such as hospitals, manufacturing plants, refineries, pulp mills, and nursing homes, but must be in the continuous presence of one or more adults and the employer must have the written permission of their parent or guardian.

**Statement of
Earnings and
Deductions**

Every employer shall, at the end of each pay period, provide each of his employees with a statement in writing, for retention by that employee, setting out for that period and in respect of the employee the following information:

- (a) hours of work;
- (b) wage rate;
- (c) wages paid;

- (d) overtime pay paid;
- (e) time off in place of overtime pay provided and taken;
- (f) vacation pay paid;
- (g) general holiday paid;
- (h) money paid in place of notice of termination of employment;
- (i) period of employment covered by the statement;
- (j) amount of each deduction from the wages, overtime pay or entitlements of the employee and the purpose for which each deduction is made.

NOTE: No deduction can be made from wages, overtime pay, or entitlements of an employee for faulty workmanship, cash shortages, or loss of property if anyone other than the employee has access to the cash or property. Written authorization for such a deduction is required from the employee in any case.

Maternity Leave

An employee who is pregnant and who has been continuously employed by her employer for a period of at least 12 months is entitled to maternity leave without pay consisting of:

- (a) a period not exceeding 18 weeks, of which at least six weeks must be taken following the actual date of delivery; and
- (b) a further three weeks if she is unable to return to work at the end of the six week period by reason of medical conditions supported by a medical certificate.

An employee, with the agreement of her employer, may shorten the duration of the six week period following the actual date of delivery by providing her employer with a medical certificate indicating that resumption of work by the employee will not endanger her health.

An employee who wishes to resume her employment upon expiration of maternity leave shall be reinstated in the position she occupied at the time her maternity leave commenced, or be provided with alternative work of a comparable nature at the same rate of pay.

The information provided above is a summary and can change from time of printing. It is recommended that full details and updates be obtained by contacting:

Employment Standards Branch

Alberta Labour:

Edmonton Regional Office
10339 - 124 Street
Edmonton, Alberta
T5N 3W1
Phone 427-3731

Calgary Regional Office
Tower 3, Room 3300
1212 - 31 Avenue N.E.
Calgary, Alberta
T2E 7S8
Phone 297-4339

Farm Laborers and Domestic

Farm laborers and domestics are covered under the Act for wage recovery and notice of termination.

For complete information on the above, contact the Employment Standards Branch of Alberta Labour at one of the local offices in Edmonton, Calgary, Medicine Hat, Lethbridge, Red Deer, Edson, St. Paul, Grande Prairie or contact:

Provincial Office	Tower #3
9th Floor, IBM Building	1212 - 31 Avenue N.E.
10808 - 99 Avenue	Calgary, Alberta
Edmonton, Alberta	T2E 7S8
T5K 0G2	Phone 297-5881
Phone 427-8541	

UNIONS AND EMPLOYEE ASSOCIATIONS

If an employer is approached by employees who have formed their own association or trade union and are seeking voluntary recognition for negotiating a collective agreement covering terms and conditions of employment, or if the employer is approached by a business agent from a recognized trade union seeking voluntary recognition, the employer should contact:

The Labour Relations Board	
Alberta Labour:	
503, 10808 - 99 Avenue	Tower #3
Edmonton, Alberta	1212 - 31 Avenue N.W.
T5K 0G5	Calgary, Alberta
Phone 427-8547	T2E 7S8
	Phone 297-4333

For information regarding arbitration, conciliation or mediation, contact:

Mediation Services Branch	
Alberta Labour:	
9th Floor, IBM Building	Tower #3
10808 - 99 Avenue	1212 - 31 Avenue N.E.
Edmonton, Alberta	Calgary, Alberta
T5K 0G5	T2E 7S8
Phone 427-8301	Phone 297-4347

Chapter Five

Taxes

The three levels of government in Canada (federal, provincial and municipal), have distinct responsibilities and taxing authority as given by the British North America Act of 1867. Concerns of national importance were placed under federal jurisdiction. The federal government was given general taxing powers and levies income tax, capital tax, excise and sales tax and customs duties. The provinces were given additional taxation powers which also allow revenue from income tax, sales tax and resource royalties, permit and licensing levies. Currently, Alberta has no sales tax. Some provincial responsibilities have been delegated to municipalities which levy taxes upon real estate and business, usually on the basis of the value of the property occupied and the type of business conducted.

Income taxes must be paid by all individuals and corporations resident in Canada from all sources of income received or receivable during the taxation year, less certain deductions. Individuals and branches of foreign companies doing business in Canada are liable for Canadian income tax on profits derived from their business operations here.

Alberta has among the lowest rates of personal and small business income tax in Canada.

For individuals in Alberta, the provincial rate is 38.5% of the basic federal tax, which is collected by the Federal Government and remitted to the Alberta Government. Federal and provincial personal income taxes are paid together and only one return is required.

LIMITED COMPANIES

The combined federal provincial income tax rate for corporations in Alberta on net profits is 47% and if the income is from manufacturing or processing the rate is 41%.

Corporations resident in Alberta must submit income tax returns separately to the Federal Government and to the Alberta Government. Alberta Corporation Income Tax forms are available from Alberta Treasury, Corporate Tax Administration, Sir Frederick H. Haultain Building, 9811- 109 Street, Edmonton, T5K 2L5, Phone 427-0712, or 4th Floor, 855 - 8 Avenue S.W., Calgary, T2P 3P1, Phone 297-5200.

Small Business Deductions are available to Alberta resident Canadian Controlled Private Corporations which have a net active business income of \$200,000 or less per year. The small business deductions reduce the combined federal and provincial tax rate for Alberta small businesses to 20% and for small Alberta manufacturers and processors to 10%.

Deductions are not available to companies and their associates where the combined net income exceeds \$200,000 per year, for investment income, to public companies, their subsidiaries or foreign-controlled companies. If a Canadian-owned business which

has been taking advantage of these deductions is sold to a non-resident, the credit becomes repayable over five years.

Other forms of income such as interest royalties, capital gains, dividends are handled differently. Because business taxes are complicated and constantly changing, it is recommended that additional information be obtained from an accountant or Revenue Canada — Taxation.

Unlike individuals, corporations may have a taxation year-end other than the calendar year-end. The corporation calculates and pays its tax on the basis of this period. In simplified terms, a corporation must pay at the end of each month of its fiscal period either one-twelfth of its estimated tax for the year or one-twelfth of the tax paid in the previous taxation year. After the year-end, the corporation calculates its actual tax for the year and within two months of the year-end, pays any balance owing in addition to the installments, except where the small business deduction was claimed in the previous year, in which case, a three-month period is allowed. If there is no tax owing, the corporation has up to six months after the fiscal year-end to file its return.

Profits and losses may be offset over a seven-year period. Business losses may be carried back one year or forward five years and be deducted in computing taxable income.

Taxation on foreign sources of income or on foreign companies operating in Canada can be complicated and it is best to consult with an accountant or to contact Revenue Canada — Taxation.

PROPRIETORSHIPS AND PARTNERSHIPS

Proprietorships and partnerships can deduct the same expenses as corporations from taxable income, i.e., those expenses incurred in pursuit of earning business income. Partners are taxed personally on their share of the business income of the partnership. Proprietors or partners must remit quarterly tax payments in advance after making allowances for approved deductions. Four installments must be made — one on March 31, June 30, September 30 and December 31. Each installment must be equal to one-quarter of either the taxpayer's estimate of his tax for the year or his tax for the previous year. The taxpayer calculates his actual tax for the year on or before April 30 of the following year and pays any amount he owes in excess of the installment or claims a refund.

EDMONTON

9820 - 107 Street
Edmonton T5K 1E8
Phone 420-3510

CALGARY

Calgary Public Building
220 - 4 Avenue S.E.
T2G 0L1
Phone 292-4101

CAPITAL COST ALLOWANCES (DEPRECIATION)

Depreciation is applied when deductions against taxable income can be made for capital assets acquired for the purpose of earning income. The reasoning is that capital assets wear out over time and must be replaced. Equipment purchased after May 8, 1972 to be used to manufacture goods for sale or lease in Canada can be fully depreciated in two years. Other items commonly depreciated and their rates of depreciation on a diminishing balance basis include: frame buildings at 10%, cement block or brick buildings at 5%, vehicles at 30%, certain contractors' equipment at 50%, and general production equipment at 20%.

You are encouraged to contact Revenue Canada — Taxation for up-to-date rulings.

NOTE: Income taxes can be an important but complicated aspect of running your business. To protect your best interests, it could be advantageous to consult with an accountant.

SALES TAX

If a manufacturer sells more than \$50,000 worth of goods per year, a sales tax of 9% is imposed under The Excise Tax Act on the selling price of all goods manufactured or produced in Canada with the exception of those goods specifically exempted. The federal sales tax rate on building materials is at the reduced rate of 5%. All manufacturers and producers of those goods subject to sales tax are required to obtain a manufacturer's sales tax license.

Persons considered to be manufacturers or producers under The Excise Tax Act may purchase production equipment, processing materials and raw materials used directly in the production of their goods exempt of sales tax.

There are many goods exempted under The Excise Tax Act such as food, clothing and agricultural equipment. Persons engaged in the manufacture or production of these goods do not require a manufacturer's sales tax license.

EXCISE TAX

Excise tax is a tax in addition to sales tax that is applied on the selling price of particular types of goods manufactured or produced in Canada such as jewellery, matches, cigarettes, tobacco and watches. Manufacturers and producers of excisable goods must operate under a manufacturer's excise tax license as well as a manufacturer's sales tax license. The same exemption benefits apply to production equipment and raw materials, etc., as mentioned in the section dealing with sales tax.

When a manufacturer or producer exports goods of his manufacture, no sales or excise taxes are payable.

All enquiries concerning federal sales and excise taxes should be directed to: Department of National Revenue

EDMONTON	Customs & Excise District Excise Office #610, 10055 - 106 Street T5J 2Y2 Phone 420-3420
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CALGARY	Regional Excise Office P. O. Box 2525 Station M T2P 3B7 Phone 292-5678
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CUSTOMS DUTIES

Importers do not need or require an import license. All imported goods are subject to customs clearance which might entail the payment of customs duties and taxes.

The system is complex, with many detailed regulations governing invoicing, classification of goods, import control and documentation. You are advised to seek information from the nearest customs office.

For information contact Revenue Canada — Customs Operations in Red Deer, Medicine Hat, Lethbridge or:

Edmonton	Calgary
Room 312	220 - 4th Avenue S.W.
10709 Jasper Avenue	Box 2970
T5J 3N3	T2P 2M7
Phone 420-3400	Phone 292-4610

MUNICIPAL TAXES

Property taxes are levied at the local level on the owners of businesses. There is an assessment of 65% on buildings and land based on market value in the base year of general assessment in the municipality. The amount of tax payable depends upon the mill rate of the municipality. Some municipalities also levy a local business tax. For further information regarding property taxes, contact the local municipal authority or council for the area in which you locate.

BUSINESS RECORDS

From time to time, a businessman can expect to have the books and records of his company audited by various provincial and federal authorities. They include Workers' Compensation Board; the Employment Standards Branch; Revenue Canada — Source Deductions (for Unemployment Insurance, Canada Pension Plan and employee's tax contributions deducted at source); Revenue Canada — Customs and Excise (for federal sales tax) and Revenue Canada (for income tax).

Unless specific written permission from Revenue Canada — Taxation is obtained, all business records and supporting documents such as sales and purchase invoices, contracts, bank statements and cancelled cheques must be retained. They should be kept in an orderly manner at the place of business or designated record office. The books must be kept until a tax and payroll audit have been completed or at least four years after the taxation year covered and, at that time, permission to destroy the records may be given.

Some records must be kept indefinitely. These include the minute book of meetings if the company is incorporated, share records, general and private ledger sheets, special contracts and agreements, and the general journal if it is essential to the understanding of the general ledger entries.

The Employment Standards Act requires employers to retain employment records for at least three years from the date each record is made.

Revenue Canada produces two publications of recommendation to the starting business person: “Small Business Income Tax” and “A Guide To Standard Financial Statements”. Write or phone:

Revenue Canada, Taxation:
9820 - 107 Street
Edmonton, Alberta
T5K 1E8
Phone 420-3544

220 - 4 Avenue S.E.
Calgary, Alberta
T2G 0L1
Phone 292-4225

Chapter Six Intellectual Property Rights and Other Items of General Interest

The laws concerning patents, trademarks, copyrights and industrial designs can be complicated and it is usually advisable to seek professional help from registered patent and trademark attorneys. The major purpose of these laws is to allow the inventor to exploit the commercial applications of his work by protecting his invention from duplication by others for a limited time.

PATENTS

A patent can be issued for up to 17 years, depending upon the nature of the product, during which time it excludes others from using a person's invention in Canada. The invention may be for a new machine, article, process or other technological developments or improvements that would not have been obvious beforehand to specialists in the technology being considered.

Canadian patents only provide protection in Canada, but Canadians may patent abroad. No annual fees are required to renew a patent. Patented inventions must be worked in this country within three years of patenting. Manufacturers considering producing new products should first check to ensure that no patents will be infringed upon.

Information on filing applications for patents, as well as a copy of The Patent Act, may be obtained from:

Commissioner of Patents
Department of Consumer and Corporate Affairs
Ottawa-Hull, Canada K1A 0C9
Phone 997-1936

TRADEMARKS

A trademark is a distinguishing mark, work or design used in association with particular goods or services. A trademark must be used before it can be registered. A registered trademark endures for 15 years and can be renewed.

There are certain regulations governing trademark registration. Information can be obtained from:

Registrar of Trademarks
Department of Consumer and Corporate Affairs
Ottawa-Hull, Canada K1A 0C9
Phone 997-1420

COPYRIGHTS

The original of every literary, dramatic, musical or artistic piece is automatically protected by copyright upon creation. The copyright applies in all countries signatory to the International Copyright Convention, including the United States and Britain, providing that the artist is a citizen of one of those countries.

The term of copyright for written works is the life of the author plus 50 years. For sound recordings and photographs, it is 50 years from the date of the original negative or recording. For further information:

Commissioner of Patents
Ottawa-Hull, Canada K1A 0C9
Phone 997-1936

INDUSTRIAL DESIGNS

The outward appearance of an article of manufacture, i.e., its particular shape, pattern or ornamentation, may be registered as an industrial design. A registered industrial design cannot be identical or similar to others already registered.

Registration provides exclusive rights to the design for five years, and can be renewable for an additional five years. To register a design, you must file a drawing and description with:

Commissioner of Patents
Ottawa-Hull, Canada K1A 0C9
Phone 997-1936

METRIC CONVERSION

In 1970, the federal parliament unanimously endorsed the White Paper on Metric Conversion whereby length, weight, quantity, mass, temperature and other units of measurement will be changed to the metric system. Well over 95% of the world's population is using or converting to the metric system.

The moratorium has been placed on the legislation. However, metrication is very important to businesses which plan to export outside of North America. For information, contact Federal Department of Consumer and Corporate Affairs, Weights and Measures (see below).

PACKAGING AND LABELLING

The federal Department of Consumer and Corporate Affairs regulates packaging information on all prepackaged consumer products. The following information, in French and English, must be clearly visible on the label of prepackaged products:

- The identity of the product
- The product's net quantity in metric units or Canadian units of measure
- The identity and principal place of business of the manufacturer or the person for whom the product was manufactured

The Precious Metals Marketing Act regulates articles made wholly or partly of precious metals such as jewellery, silverware, watches and pens. All hazardous or dangerous products must be marked according to the Hazardous Products Act. The Textile Labelling Act requires that textiles be labelled with the fibre content for wearing apparel, fabrics sold by the piece, and household textiles. This act also regulates the advertising, sale and import of all consumer textile fabric products. For further information regarding packaging contact:

Federal Department of Consumer and Corporate Affairs:	
10225 - 100 Avenue	2919 - 5 Avenue N.E.
Edmonton, Alberta	Calgary Alberta
T5J 0A1	T2A 6T8
Phone 420-2491	Phone 292-5605

WEIGHTS AND MEASURES

All equipment which weighs or measures products such as scales and pumps must be inspected and approved by the Federal Department of Consumer and Corporate Affairs, 10225 - 100 Avenue, Edmonton, T5J 0A1, Phone 420-2491, or 2919 - 5 Avenue N.E., Calgary, T2A 6T8, Phone 292-5605.

New equipment requiring installation is inspected when operational but prior to commercial use. Movable equipment can be inspected before shipping. If used equipment is acquired, the department must also be notified.

Inspectors of the Weights and Measures Branch of the Federal Department of Consumer and Corporate Affairs make regular surprise inspections to ensure that the equipment is accurate. Therefore, you are required to keep them notified as to the whereabouts of the equipment.

IMMIGRATION AND CITIZENSHIP

Canada and Alberta welcome permanent settlers who have the necessary "know how" and capital to establish a business. If Canadian immigration authorities are satisfied about the feasibility of the business proposal and all other immigration requirements are met, such as good health, good character, etc., it is possible that landed immigrant status will be granted.

It is necessary to apply for landed immigrant status while still outside Canada. Full citizenship can be applied for after three years residence in Canada as a landed immigrant. Further information may be obtained from the nearest Canadian embassy or consulate or by writing the Canada Employment and Immigration Commission, Ottawa, Ontario. In Alberta, contact any one of the Canada Immigration Centres or Alberta Immigration and Settlement Services Section of Alberta Manpower, Phone 427-0537.

Investment opportunity information can be obtained from the Investment Promotion Section of Alberta Economic Development and Trade, Phone 427-2005.

CHECKLIST FOR STARTING A BUSINESS IN ALBERTA

- For individual business counselling, you are encouraged to contact the local office of Alberta Economic Development and Trade whose locations are listed at the end of this publication.
- Your first task is to develop a detailed business plan to determine the feasibility of the venture.
- Use your business plan to shop for equity or venture capital, or debt financing.
- Obtain financial commitments before proceeding with start-up costs
- If you intend to operate as a sole proprietor or partnership, register your business name with Central Registry, Department of the Attorney General. If you are going to incorporate your business, contact the Corporate Registry, Alberta Consumer and Corporate Affairs.
- Contact the local zoning or licensing authority in your city, town or municipality to obtain local operating sanctions.
- Obtain the proper provincial and/or federal licenses. For most businesses, this would mean contacting the licensing section of the Consumer Relations Division, Alberta Consumer and Corporate Affairs.
- All manufacturers or producers of goods (including re-manufacturers and re-builders) subject to federal sales tax must obtain a license from Revenue Canada — Excise.
- Register your company with the Workers' Compensation Board.
- Contact Revenue Canada — Source Deductions Section, to obtain an employer's account number for Unemployment Insurance and Canada Pension Plan deductions.
- If you employ five or more people, register with the Health Care Insurance Commission.
- Ensure that you comply with the pertinent labour regulations, contacting the Employment Standards Branch of Alberta Labour.
- Contact the Alberta Manpower and Canada Employment and Immigration Commission if assistance is required to locate and/or train new employees.

- As discussed in chapter three, some businesses require special licenses or permits. For those projects which are large in nature, contact Alberta Economic Development and Trade for special guidance.

Chapter Seven

Buying a Business

The alternative to starting a business is purchasing an existing business. It offers many advantages such as avoiding start-up problems and a proven profit picture but it can also be risky if not undertaken in a careful manner.

EVALUATING A BUSINESS

The decision to buy a business can be one of the more important judgments in your life. Yet a surprising number of people rush into this type of transaction without adequate investigation. Take time to obtain as much information as possible about the business. Often the buyer is tempted to quickly make a bid for the business to avoid missing a “golden opportunity.” However, the buyer as an investor should remember the effort that was required to earn the money to be invested and realize the liabilities that could occur should the business fail.

It is wise to ascertain why the business is for sale. The seller may give ill health as the reason for selling but the true reason may be a declining business. The buyer may figure that with better management the business can be improved, but in many cases this is an exercise in disillusionment.

Attempt to determine if the type and size of business you contemplate buying is compatible with your interests, talents, personality and capital. Be sure that you can adequately finance the purchase of the business plus allow for sufficient operating capital. Once the deal has been struck, the takeover should be effected as soon as possible to avoid inventory depletion or the creation of ill-will. A sales agreement or contract should not be signed without a lawyer's advice.

If the buyer is purchasing the accounts receivable, they should be carefully assessed as to their collectability. Old accounts should be properly discounted to reflect the difficulties associated with collection. The buyer should also review with the seller all liabilities he is to assume. An attempt should be made to discover if there are any liens, unpaid bills, chattel mortgages, back taxes, etc., not shown on the balance sheet. It is advisable that all liabilities to be assumed by the buyer be put in writing.

The only true method of evaluating the worth of a business is to attempt to ascertain its future profit potential. Obtain the business' financial records for at least the past three years. Carefully analyze records such as past balance sheets, profit and loss statements, tax returns, purchases and sales, and bank deposits. If the seller will not provide these figures it could be a warning sign that something might be amiss. With the benefit of this information attempt to project the future profitability of the business.

The assets of the company both tangible and intangible should be reviewed to determine their value and to make sure they are transferable. Tangible assets include inventory, furniture, building, land lease and accounts receivable. Intangible assets include

business reputation, customer lists, image, supplier relations, trade marks, copyrights and trained personnel. One method to accomplish the transaction could be to simply purchase the assets but not the liabilities of the company.

The determining factor in arriving at a price is THE FUTURE EARNING POTENTIAL OF THE BUSINESS. It makes no difference how much time or money a previous owner has put into the business, you want to make sure that you can get a fair return for your time and money. Three things to consider are:

- Fixed Assets — What is their market value and replacement value?
- Goodwill — (Intangible asset). This is only worth something if it will generate extra revenue in the future; if it won't then don't pay for it.
- Opportunity Cost — Given the same amount of risk and hard work, what would other investments show as a return? How does this compare with your business?

Buying a business can be very complicated. The buyer should consult with a lawyer and an accountant. Agreements should be in writing and cover all essential points particularly what assets are to be purchased, what liabilities are to be assumed and when the business is to be taken over.

Additional information on buying a business can be found in the publication "Small Business Tips" and the pamphlet "Buying A Small Business".

Chapter Eight

Franchises

Since the mid-1950's franchising has developed into a major business format. It is becoming increasingly common to find well known franchises located throughout North America, Europe and the Orient. Established franchisors are expanding aggressively and new opportunities are entering the market all the time.

The franchising concept has grown from traditional businesses such as automobile dealerships and service stations to fast food outlets, correspondence schools, maid services, photo studios, income tax and many other retail and service sector businesses.

It is the success of the major franchisors that has caused many aspiring new businessmen to consider the franchise as a means of starting a successful business.

Failure rates of reputable, financially sound franchise firms are lower than that of comparable independent firms. However, franchises are not a guarantee for success. Caution and careful business analysis must be exercised in evaluating a franchise opportunity. Many myths still exist concerning franchises which provide large returns for little effort and capital investment.

Some people have been attracted to franchise deals for which they are totally unsuited or have not thoroughly examined the franchise agreement.

THE FRANCHISE AGREEMENT

The franchise contract spells out the relationship between the franchise and the franchisor. It tells what the latter will provide in the way of initial and continuing assistance, and also what the financial and operational contributions of the franchise will be. All verbal promises made by each party should be written into the agreement, and the document checked by a lawyer to protect your best interest.

Some points to look out for in the franchise contract include:

- You should ensure that the territory you are being given is a reasonable size and will not be encroached upon by other franchises or the franchisor.
- You should ensure that you are familiar with the restrictions in the contract. For example, the contract may stipulate that the franchisor's standards of operation may be dictated, including hours of work, whom you may employ, recipes, food portions, record keeping methods, hiring and firing practices, etc.
- Of vital concern is the clause in the contract dealing with its termination. The franchisor will probably insist that he have the right to cancel or not renew a contract with a franchisee who is liable to endanger the image of all outlets by running an unacceptable operation. This threat of cancellation of the contract sometimes causes the franchisee to suffer great

insecurity, especially since he may have a heavy investment in inventory and put considerable time and effort into the franchise. Therefore, he may be forced to accept company policies he believes to be unsound.

- When the franchisee wishes to terminate the contract, he is often restricted on how and to whom he may dispose of the business, and the amount of money he can charge for it. The franchisor usually must agree who the new franchisee will be. In some cases the franchisor promises to buy back the operation should the franchisee fail. However, on only very rare occasions will a franchisor share directly in a financial loss. When a franchisee is forced to sell back to the franchisor because the contract has expired or has been cancelled, he often can only expect to receive the book value of the business and no compensation for goodwill or other intangibles.

FRANCHISE COSTS

Some franchisors charge no franchise fee and others charge many thousands of dollars. The prospective franchisee should be thoroughly familiar with what he is getting for his money. For example, the franchise fee might be for the use of the company name, business form and operating method, initial training, assistance in selecting a location, help in finding appropriate financing and expertise in getting the business started. When the franchisor provides on-going assistance such as providing inventory, business counselling, advertising, accounting, etc., there can be monthly fees attached or a percentage of sales charged. Sometimes a percentage of profit figure is used, usually based on gross sales. Often a franchisor will charge no monthly fees, but make his profit from the sale of inventory purchase from him.

The percentage of gross sales charged can range anywhere from 2 to 15%, depending upon the service rendered by the franchisor. In the case of advertising, the franchisee may be expected to spend a percentage of sales locally besides remitting to the franchisor money for national advertising.

Other ways that a franchisor may gain money from a franchisee are for a site evaluation fee, if it is not included in the franchise fee; interest if the franchisor is directly assisting with financing; markup on supplies and equipment; and lease payments when the franchisor acts as the landlord. In any event the potential franchisee should carefully assess each franchise cost for value received.

EVALUATING A FRANCHISE

If you are evaluating the possibilities of purchasing a franchise there are a number of other considerations to be explored. You should carefully investigate the company with whom you are dealing to determine if they have a good reputation, a solid credit rating and a sound financial base.

In Alberta, all franchisors offering franchises for sale must register with the Alberta Securities Commission. They do this by filing an acceptable statement of material facts or a prospectus. Any person contemplating the purchase of a franchise should first check with the Alberta Securities Commission to see if the franchisor is registered and to assess the franchisor's plans as put to the commission. Please contact:

Consumer and Corporate Affairs, Alberta Securities Commission:	
10025 Jasper Avenue	919, 620 - 7th Ave. S.W.
Edmonton, Alberta	Calgary, Alberta
T5J 3Z3	T2P 0Y8
Phone 427-5201	Phone 297-6454

The franchisor should have been in business long enough to prove its ability and the competitiveness of its service or product. The franchisor should not be hesitant in supplying all relevant information to the franchisee. The prospective franchisee should attempt to talk to some of the company's operating franchisees informally. The meeting should not be prearranged by the franchisor.

If you plan to purchase a franchise, you should be quite clear about what you are being charged for the franchise and what you are getting for your money. Be sure to go over the franchise contract with a lawyer.

Franchising as a way of doing business has expanded rapidly in the past thirty years. For some, it has brought wealth and personal satisfaction, but for most it has meant hard work and personal commitment to allow their franchise to provide them with a livelihood. The franchise partnership is a difficult one that depends upon the integrity and competence of the franchisor, and the hard work and co-operation of the franchisee. However, the basic business concept of franchising is sound and may offer good prospects for the businessman looking for an opportunity.

Additional information on franchises can be found in the publication "Small Business Tips" and the pamphlet "Buying a Franchise".

Appendix

ADDRESSES TO OBTAIN SPECIAL LICENSES

FARM IMPLEMENT DEALERS

Farm Implement Act Administration
Room 201, J. G. O'Donoghue Building
7000 - 113 Street
Edmonton, Alberta T6H 5T6
Phone: 427-2188

ARTIFICIAL INSEMINATION

Beef Cattle and Sheep Branch
2nd Floor J. G. O'Donoghue Building
7000 - 113 Street
Edmonton, Alberta T6H 5T6
Phone: 427-5304

BUSINESSES DEALING WITH POULTRY

Poultry Branch
2nd Floor, J. G. O'Donoghue Building
7000 - 113 Street
Edmonton, Alberta T6H 5T6
Phone: 427-5089

SALE AND PROCESSING OF LIVESTOCK

Regulatory Services Branch
2nd Floor, J. G. Donoghue Building
7000 - 113 Street
Edmonton, Alberta T6H 5T6
Phone: 427-5098

BUSINESSES DEALING WITH MILK OR MILK PRODUCTS

Dairy Division
Provincial Building
50th Avenue & 52nd Street
Wetaskiwin, Alberta T9A 0S7
Phone: 352-1227

SEED CLEANING

Field Crops Branch
5718 - 56 Avenue
Bag Service #47
Lacombe, Alberta T0C 1S0
Phone: 423-4214

LIVESTOCK MEDICINE LICENSE

Animal Health Division
3rd Floor, O. S. Longman Building
6909 - 116 Street
Box 8070
Edmonton, Alberta T6H 4N9
Phone: 436-9343

MEAT INSPECTION AND APPROVAL

Meat Hygiene
Animal Health Division
3rd Floor, O. S. Longman Building
6909 - 116 Street
Box 8070
Edmonton, Alberta T6H 4N9
Phone: 436-9340

HIGHWAY DEVELOPMENT

Alberta Transportation
Referral Services
4th Floor, Twin Atria Building
4999 - 98 Avenue
Edmonton, Alberta T6B 2X3
Phone: 427-7068

SAWMILLS, TIMBER CUTTING OPERATIONS

Energy and Natural Resources
Timber Management Branch
9th Floor, Bramalea Building
9920 - 108 Street
Edmonton, Alberta T5K 2C9
Phone: 427-3559

NURSING HOME OPERATIONS

Hospitals and Medical Care
Provincial Programs Branch
5th Floor, Hys Centre
11010 - 101 Street
P.O. Box 2222
Edmonton, Alberta T5J 2P4
Phone: 422-2922

MINES, OIL AND GAS DRILLING PERMITS,
PIPELINE CONSTRUCTION

Energy Resources Conservation Board
640 - 5 Avenue S.W.
Calgary, Alberta T2P 3G4
Phone: 297-8311

PRIVATE DETECTIVES, SECURITY AGENCIES
AND GUARDS

Solicitor General
Law Enforcement Division
10th Floor, Brownlee Building
10365 - 97th Street
Edmonton, Alberta T5J 3W7
Phone: 427-3457

RECREATION, PARKS AND WILDLIFE

Energy and Natural Resources
Fish and Wildlife Division
Main Floor, North Tower
Petroleum Plaza
9945 - 108 Street
Edmonton, Alberta T5K 2C9
Phone: 427-6742

CEMETERIES

Edmonton Regional Office
Consumer & Corporate Affairs
3rd Floor, Capilano Centre
9945 - 50 Street
Edmonton, Alberta T6A 0L4
Phone: 422-2590

LIQUOR LICENSES

Solicitor General
Alberta Liquor Control Board
50 Corriveau Avenue
St. Albert, Alberta T8N 3T5
Phone: 458-4311

COMMERCIAL TRUCKING AND BUS OPERATIONS

Alberta Transportation
Motor Transport Board
4th Floor, Provincial Building
4920 - 51 Street
Red Deer, Alberta T4N 6K8
Phone: 340-5260

EMPLOYMENT PROGRAMS

Alberta Manpower
Employment Initiative Branch
17th Floor, Park Square Building
10001 Bellamy Hill
Edmonton, Alberta T5J 3W5
Phone: 427-4740

REAL ESTATE

Consumer and Corporate Affairs
Edmonton Regional Office
3rd Floor, Capilano Centre
9945 - 50 Street
Edmonton, Alberta T6A 0L4
Phone: 427-5782

CONSUMER AND CORPORATE AFFAIRS

Real Estate Program Branch
9th Floor
10025 Jasper Avenue
Edmonton, Alberta T5J 3Z3
Phone: 422-1588

HOMES FOR SPECIAL CARE,
DAY CARE CENTRES, FOSTER HOMES
Social Services and Community Health
Edmonton Regional Licensing Unit
6th Floor
108 Street Building
9942 - 108 Street
Edmonton, Alberta T5K 2J5
Phone: 427-0444

PRIVATE SCHOOLS
Advanced Education
Private Vocational Schools
7th Floor, Devonian Building
East Tower
11160 Jasper Avenue
Edmonton, Alberta T5K 0L1
Phone: 427-3899

Alberta Economic Development and Trade Offices

HEAD OFFICE

12th Floor
Sterling Place
9940 - 106 Street
Edmonton, Alberta
T5K 2P6
Phone: 427-0669

SMALL BUSINESS DIVISION

17th Floor
10025 Jasper Avenue
Edmonton, Alberta
T5J 3Z3
Phone: 427-3685

CALGARY

5th Floor
999 - 8 Street S.W.
Calgary, Alberta
T2R 1J5
Phone: 297-6284

CAMROSE

4909 - 48 Street
Camrose, Alberta
T4V 1L7
Phone: 679-1235

EDSON

P.O. Box 2490
Provincial Building
4926 - 1 Avenue
Edson, Alberta
T0E 0P0
Phone: 723-8229

GRANDE PRAIRIE

Room 1401
Provincial Building
10320 - 99 Street
Grande Prairie, Alberta
T8V 6J4
Phone: 538-5230

LETHBRIDGE

Room 249
Provincial Building
200 - 5 Avenue S.
Lethbridge, Alberta
T1J 4C7
Phone: 381-5414

MEDICINE HAT

Room 217
Provincial Building
770 - 6 Street S.W.
Medicine Hat, Alberta
T1A 4J6
Phone: 529-3630

PEACE RIVER

Bag 900, Box 3
10122 - 100 Street
River Drive Mall
Peace River, Alberta
T0H 2X0
Phone: 624-6113

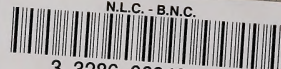
RED DEER

3rd Floor
Provincial Building
4920 - 51 Street
Red Deer, Alberta
T4N 6K8
Phone: 340-5300

ST. PAUL

P.O. Box 1688
Room 409
Provincial Building
5025 - 49 Avenue
St. Paul, Alberta
T0A 3A0
Phone: 645-6358

N.L.C. - B.N.C.



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